

Oil memories

ORANJESTAD — This March 31 will mark the day, 27 years ago, that the last employees of the former **Lago refinery** completed their assignments and - as they had done so many times before - left the refinery proudly, professionally and dedicated to the final minute. This time however, heading towards an uncertain future for all.

door **Henry Coffi**

A whole generation of Arubans has grown up in the post-Lago refinery period and may have only heard about what that company meant for Aruba from the many family members or friends or neighbors who used to work there. This summary may help them understand the importance of oil for Aruba.

Statistics

Lago Oil & Transport Co. Ltd. operated its refinery in Aruba for 64 years from January 1929 to March 1985. During this period the workforce peaked at over 8000, averaged about 5000 and worked a total of 750 million man hours to refine more than 6000 million barrels of crude oil from Venezuela. Through the years, the number of expatriates working in the refinery was between 8 percent and 10 percent, meaning that the bulk of the work was done by Arubans and others who came to live here and that were considered locals.

It was well known that the refinery workers earned good wages and through their taxes as well as the yearly income tax was paid by the company, the island prospered greatly. At closing, the average wage of the refinery employees was 30 to 50 percent more than those on the island for similar work. The company represented about half of the island's economy.

Facilities

In 1929 Aruba was not yet 'developed'. The refinery needed to build homes, schools (from kindergarten

to high schools and technical schools), commissaries for food, churches, hospitals, water plants and laundries for its employees and their families. In the refinery itself the company had to build, besides all the refining installations, machine and welding shops, carpenter shops, concrete plants and other ancillary facilities. Long before organizations like FCCA existed, the refinery was providing funds for employees to build their own homes through the Home Building Foundation. And long before the authorities provided scholarships to Aruban students, the refinery provided a variety of full scholarships through the Lago Scholarship Foundation and other programs. And long before employee training was in vogue, the refinery provided in-depth training to thousands, from vocational schooling to secretarial advancement courses to English language, report writing, organizational development and management development programs.

In the 1960's and later, the refinery promoted the establishment of many small contractor firms for construction, painting and electrical work and these were later qualified for maintenance and construction work in the refinery. The refinery was clearly a dominant entity in Aruba. The government and the economy became so highly dependent on the income from the refinery that they could not conceive of an Aruba without the refinery. Even though the signs were becoming very visible and the messages to the authorities of a potential closure were clearly conveyed on several



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occasions, the authorities showed little comprehension of the oil business facts and were ill prepared when in late 1984 the company announced the cessation of activities giving 6 months notice.

Although the closure occurred on March 31, 1985, the most dramatic day was October 31, 1984. Notification of the impending closure was given to all concerned, including the authorities in Holland, in Curaçao and Aruba, the employees, the business community, the press and the population in general. Following the announcement of closure, different groups of people reacted differently. The Aruban authorities who during the previous five years had received and quickly spent some 600 million florins of extra income tax could not fathom the loss of this easy money. They proceeded to introduce ad-

ditional taxes on workers to cover their expected deficits. Several contractor firms and some businesses discontinued their activities and people left the island and their homes were put up for sale or just boarded up. Political observers and Union leaders recognized the severe economic impact of the closure and all recommended that the authorities reduce their expenses immediately, but nobody dependent on government funds wanted to give up what they had acquired in salary and benefits.

Some examples:

- The police said, with the coming unemployment, crime would increase and their budget could absolutely not be reduced.
- The teachers said, without the refinery, education became of utmost importance in the future and their budget could not be reduced, but

should be increased.

- The civil servants, accustomed to the culture of relaxed work schedules, claimed 'acquired rights'.

Thus each group had its own valid reasoning why the necessary reduction in government expenses should not apply to them. The authorities, instead of implementing austerity measures, initiated a steady string of politically profitable programs of more aid and social benefits, thus increasing spending even more.

Reactions of employees

Late 1984 the refinery employed about 1100 employees of which 100 were expatriates and 1000 national employees. The expatriates were all repatriated, some to their original affiliates but some were also terminated. Of the 1000 national employees at closure, about half had

the age and service to retire and would receive a pension immediately. The remaining included some 200 young engineers and professional people who, with their education and experience, would probably be able to get a job here or elsewhere.

About 300 persons had lots of refinery experience, but without a refinery they would face more difficult problems getting suitable employment in Aruba. The more difficult problems were faced by the young people, regardless of education, with a young family and who had just invested in a home. Also persons who had worked for many years in the operations, and who did not qualify for a pension and who thought they 'could do nothing else' but be an operator, posed a special problem. Therefore it was highly important to try to give these employees reasons to face the future in a positive manner with higher self esteem and hope.

Some of the things done to help the personnel to deal with their individual problems included:

- Assured that persons with a mortgage would not lose their home. The mortgage repayment rules were adjusted to assure that each employee left with at least one year's take-home pay.
- Sessions were conducted where all persons could review their career accomplishments and, with the help of professionals, prepare a useful and factual CV that included all the experience they have gained.
- Assisted in looking for new employment opportunities for professional employees
- Allowed persons to leave early while maintaining all their benefits.
- Allowed persons time to seek other employment.

The closing of the refinery was difficult to accept and was not wished by anyone, but in the end, with the actions taken to deal with the necessities of the individuals, one can say the everyone was satisfied that they received the full benefits and funds due them on account of their employment conditions, their work contract and the laws of Aruba. And today over 1000 annuitants are still receiving a monthly pension on time and in accordance with the terms of their various plans, some better than others.

Disappointing after closure was that the authorities decided to demand from the company huge amounts of extra taxes, penalties and other funds to which they were not entitled. They rejected offers to settle on taxes, to build a state of the art waste disposal area and to install water recycling facilities for San Nicolas. Instead, they elected to start expensive court cases against the company that had served the island so well for so long. Resolution of the court cases and the government demands took seven full years, but without any benefit to the island, because it lost all its court cases and received none of the additional funds it so desired.

Today, the island is again facing difficulties with the oil industry. Hopefully the authorities will have educated themselves to comprehend what is taking place and not be caught with their pants down again. Perhaps then they would have learned how to avoid the mistakes and hardships of the past. However, today the authorities are also facing the result of not taking austerity measures as initially recommended, but of continually increasing their deficits without compensating incomes. This problem however is not attributed to any oil business ills.